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DIA and DOS review(s) completed.

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GENERAL

1. Yugoslav official sees basic shift in Soviet policy:

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Yugoslav Foreign Secretary Popovic told the American Charge in Belgrade on 3 April that the Soviet Union's recent specific overtures to the West represent a basic shift of foreign policy, forced upon Malenkov by the inherited "inner contradictions" of the Soviet world.

Although Popovic admitted that it is impossible accurately to gauge the sincerity of the moves, he warned against neglecting to exploit every opening offered by this new Soviet pattern.

Comment: The above analysis acquires significance in the light of deep-seated Yugoslav distrust of any Soviet tactic and previously expressed Yugoslav fears that the Kremlin would somehow manage to conclude a general settlement with the Western powers to the detriment of Yugoslavia.

2. Reactions of French and Dutch officials to Soviet peace moves:

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French NATO representative Alphand is extremely concerned lest the Soviet peace maneuvers result in the disintegration of NATO. He told Ambassador Draper that the Soviet moves are already beginning to have an effect on the European population and urges a definite US commitment to prevent this.

Two ranking Dutch Foreign Ministry officials, skeptical of Soviet intentions, suggest that the United States test Soviet sincerity by an immediate call for conclusion of the Austrian peace treaty.

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Comment: There have been several indications that the French Government is highly vulnerable to Soviet approaches for an East-West detente.

Dutch Foreign Minister Luns has stated that until Soviet sincerity is tested by concrete action, the West could not afford to relax its military preparedness program.

The Austrian problem is one on which the Soviet Union may find it easier to negotiate than on other Western European problems.

SOVIET UNION

3. Moscow embassy comments on release of Soviet doctors:

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The American Embassy in Moscow comments that the vindication of the physicians implicated in the doctor plot provides the most concrete evidence thus far of the new regime's break with the old, since Stalin either personally engineered the plot or fully approved its initiation.

The Embassy further believes that this disclosure indicates that a bitter high level controversy exists now or has recently been concluded. The recent events suggest that Malenkov and Beria are at present harmoniously dominant in a regime which is based on a balance between party, police and army. However, the fate of purely Stalinist elements and the position of the army, as one of the principal victims of the doctor plot, may be matters of extreme importance.

Within the limits observed by the Embassy, Soviet public reaction to the announcement has been favorable, evidently in the belief that a more liberal era may ensue. Doubts may arise, however, as to the stability of a system of government in which such fantastic reversals can take place.

FAR EAST

4. Shift in Communist emphasis from Korea to Japan seen:

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[Redacted]

The Japanese Government does not expect the current Communist peace offensive to bring results favorable to Japan, but thinks that the Communists may now shift their emphasis in the Far East to Japan, with a primary aim of causing an economic collapse there.

The government believes that the Chou En-lai offer is sincere, and that the Communists will not permit the talks to fail. It expects, however, that the POW negotiations will be protracted to place the United Nations at a psychological disadvantage. The Communist bloc is expected to support a drive for a unified, neutral Korea and UN membership for Communist China.

Comment: This Japanese analysis reflects the concern of the Yoshida government over the future of the country's economy, which has been strongly dependent on income arising from the Korean hostilities. The neutralization of the American position in Japan and prevention of Japanese rearmament are undoubtedly major objectives of Soviet Far Eastern policy which would be served by ending the war.

SOUTHEAST ASIA

5. Burma suspends negotiations for American arms:

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[Redacted]

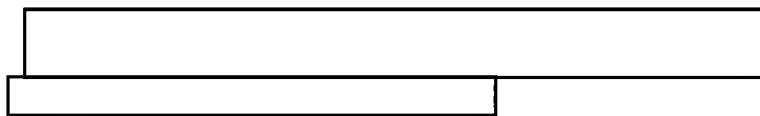
Burma's army commander, General Ne Win, told the US Army Attaché in Rangoon that he thought it advisable to suspend temporarily the current arms procurement negotiations pending clarification of American-Burmese relations.

Comment: Burma decided to negotiate for the purchase of American arms in February after a long search for

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an alternative to British sources. The prospect of acquiring American arms probably motivated the reported attempts by Ne Win and Defense Minister Ba Swe to prevent the Chinese Nationalist issue from seriously affecting Burma's relations with the United States.

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EASTERN EUROPE

8. Hungarian celebration marked by absence of anti-American attacks:

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[Redacted]

The Hungarian Liberation Day ceremonies on 4 April were marked by the absence of attacks on American policy either in posters or speeches and the failure of any special delegations from the USSR or any major East European Satellite to attend the ceremonies. Deputy Premier Hazi's speech was generally conciliatory and Premier Rakosi showed unusual cordiality toward American Charge Abbott.

Comment: This year's celebration is in marked contrast to previous Liberation Day ceremonies throughout the Satellites, which in the past have featured violent anti-American attacks in speeches and posters and have been attended by imposing Orbit delegations.